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United States Senate

COMMITTEE ON THE JUDICIARY

WASHINGTON, DC 20510-6275

June 13, 2022

VIA ELECTRONIC TRANSMISSION

Mr. John W. Hinman
Director
Internal Revenue Service
Whistleblower Office
1111 Constitution Avenue, NW
Washington, DC 20224

Dear Director Hinman:

Congratulations on your recent appointment as Director of the IRS Whistleblower Office. As the Chairman of the Senate Finance Committee when the “Tax Relief and Health Care Act” was enacted into law, and the author of the provisions creating the IRS whistleblower Office, I have always focused on how the office has functioned and eagerly awaited the annual report required by statute. My work on the IRS Whistleblower Office is part of my larger role as a champion for whistleblowers throughout the federal government. I frequently say whistleblowers are “as welcome as a skunk at a picnic” in that their efforts are generally treated with disdain, which discourages them and others from coming forward. That’s why we need programs like this one.

The IRS Whistleblower program is an important tool that helps the IRS identify and target those attempting to abuse the tax system. Frequently, whistleblowers have knowledge of wrongdoing that would otherwise go undetected and provide this information to the IRS at great risk to themselves or their career. For the program to be successful, it is vital that the Whistleblower Office efficiently and timely process claims and awards so whistleblowers can be confident that coming forward is worth the risk they face.

According to the IRS Whistleblower Office, Fiscal Year 2021 Annual Report, “The Whistleblower Office has paid out more than 2,500 awards to whistleblowers totaling over \$1.05 billion and has led to the successful collection of \$6.39 billion from non-compliant taxpayers.”¹ Clearly the Whistleblower Office has been a valuable tool to address the tax gap, the difference between what is legally owed in taxes and what is paid, without additional onerous reporting requirements.

¹ IRS Whistleblower Office, Fiscal Year 2021 Annual Report, available at <https://www.irs.gov/pub/irs-pdf/p5241.pdf>.

However, I have concerns regarding trends in whistleblower payouts, and the time it takes for whistleblowers to receive those payouts. According to the most recent report, “Average claim processing time for IRC § 7623(b) award payments made during FY 2021 increased by 2.9% from the prior year and average claim processing time for IRC § 7623(a) award payments increased by 10.4%.”² This is especially troubling because these figures take into account the many years it may take to determine that a whistleblower has a legitimate claim.

According to the FY 2021 report, the whistleblower program paid out awards of more than \$36 million (prior to sequestration) in FY 2021. This represents the continuation of a trend since FY 2018, when the total dollar amount of whistleblower awards began to steadily decline. After reaching more than \$312 million in FY 2018, awards declined to around \$120 million in FY 2019, and continued to decline to around \$87 million in FY 2020.³ This downward trend is also reflected in total proceeds collected from delinquent taxpayers, which declined from more than \$1.4 billion in FY 2018 to around \$600 million in FY 2019 to under \$500 million in FY 2020.⁴ The FY 2021 report shows a continuing decrease in proceeds collected to less than \$250 million.⁵ These downward trends started before the pandemic and are contrary to the number of open claims, which at more than 27,000 are higher than they’ve been since FY 2018.⁶

I am eager to work with you to improve the IRS Whistleblower Office to further incentivize and encourage whistleblowers to come forward and in doing so further shrink the tax gap. Last year I introduced the “IRS Whistleblower Program Improvement Act” in order to strengthen the whistleblower program by exempting whistleblower awards from sequestration, imposing interest on awards not paid within a year, and through other reforms.

In order to understand how you will turn around the downward trend of award amounts and proceeds collected due to whistleblower information, I request that you meet with me and my staff. I am also interested in understanding what your own priorities are, and determining how we can continue to work together to ensure the IRS Whistleblower Office is as successful as possible.

Please reach out to Chris Conlin at Chris_Conlin@grassley.senate.gov and Nick Wyatt at Nick_Wyatt@judiciary-rep.senate.gov of my staff to schedule a meeting. Thank you for your time and attention.

Sincerely,



Chuck Grassley
Ranking Member

² Id.

³ IRS Whistleblower Office, Fiscal Year 2020 Annual Report, available at <https://www.irs.gov/pub/irs-prior/p5241--2020.pdf>.

⁴ Id.

⁵ IRS Whistleblower Office, Fiscal Year 2021 Annual Report, available at <https://www.irs.gov/pub/irs-pdf/p5241.pdf>.

⁶ Id.